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Message Text

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PAGE 01 BUDAPE 01762 101046Z

51
ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SAJ-01 AID-05 CIAE-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

AGR-05 DODE-00 PM-03 H-02 L-03 NSC-05 PA-01 PRS-01

SS-15 /106 W
---------- 114166
R 100949Z JUN 75
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 3415
DEPT OF COMMERCE WASHDC
INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
USDEL MTN GENEVA
AMEMBASSY MOSCOW
AMCONSUL MUNICH
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY VIENNA
AMEMBASSY WARSAW

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E.O. 11652: N/A
TAGS: ECON, HU
SUBJ: PRIME MINISTER LAZAR REMARKS ON STATE OF ECONOMY

1. SUMMARY: IN FIRST MAJOR SPEECH SINCE HIS PROMOTION, PRIME MINISTER LAZAR UNDERSCORED HUNGARY'S CURRENT ECONOMIC DIFFICULTIES AND APPEALED FOR STILL GREATER EFFORT BY POPULATION TO MEET ECONOMIC GOALS. REMARKS CONSTITUTE ADMISSION THAT MEASURES TAKEN THUS FAR HAVE YET TO REVERSE NEGATIVE TENDENCIES IN ECONOMY AND IN PARTICULAR DETERIORATION OF TERMS OF TRADE. LAZAR HINTED STRONGLY THAT GOVERNMENT MAY HAVE TO TAKE
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PAGE 02 BUDAPE 01762 101046Z

ADDITIONAL MEASURES IN NEAR FUTURE. END SUMMARY.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

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2. IN HIS MAIDEN SPEECH AT KARL MARX UNIVERSITY ON JUNE 6 PRIME MINISTER LAZAR EMPHASIZED NEED FOR HUNGARY TO SPEED UP RESTRUCTURING OF PRODUCTION AND TO IMPROVE ECONOMIC EFFICIENCY AND INCREASE COMPETIVENESS OF EXPORTS. ALTHOUGH ECONOMY CONTINUED TO EXPAND RAPIDLY DURING FIRST FIVE MONTHS OF YEAR AND PRELIMINARY OUTLOOK FOR AGRICULTURE IS FAVORABLE, LAZAR POINTED OUT MANY SERIOUS WEAK SPOTS REMAIN, E.G. SUMS USED FOR INVESTMENT AND WAGES ARE EXCEEDING LEVELS SPECIFIED IN PLAN, DIFFICULTY ENCOUNTERED IN LIQUIDATING LARGE INVENTORIES BUILT UP LAST YEAR BY ENTERPRISES, FAILURE TO DEVELOP SUITABLE MEASURES FOR SAVING LABOR, AND, MOST IMPORTANT OF ALL, PERSISTENCE OF HUNGARY'S LARGE UNFAVORABLE BALANCE OF TRADE WITH WEST.

3. LAZAR STRESSED NEED DURING NEXT FEW MONTHS TO INCREASE COMPETIVENESS OF HUNGARIAN EXPORTS AT SAME TIME REDUCTIONVOLUME OF IMPORTS. NOT ONLY DOES FULFILL-MENT OF THIS YEAR'S PLAN DEPEND ON SUCCESS OF THIS EFFORT BUT ACHIEVEMENT OF ECONOMIC GOALS FOR NEXT SEVERAL YEARS AS WELL. GOVERNMENT CONSIDERS IT ITS PRIMARY DUTY TO EXERT CONTROL AND, IF NECESSARY, TO INTRODUCE NEW CENTRAL MEASURES TO INSURE FULFILLMENT OF 1975 PLAN. LAZAR ADDED QUICKLY, HOWEVER, THAT CENTRAL MEASURES ALONE COULD NOT SUPPLANT SUPPORT FROM SOCIETY AS WHOLE OR INITIATIVES BY INDIVIDUAL ENTERPRISES. LAZAR CONCLUDED THAT IT IS NECESSARY TO CONCENTRATE INTELLECTUAL AND MATERIAL RESOURCES TO A GREATER DEGREE THAN IN PAST TO PERMIT HUNGARY TO PARTICIPATE MOST EFFICIENTLY IN INTER-NATIONAL DIVISION OF LABOR. HE WARNED IT WOULD NOT BE POSSIBLE TO APPLY ENTIRE INCREASE IN NATIONAL INCOME TO DOMESTIC USE SINCE A LARGE AMOUNT OF THIS INCREASE WOULD HAVE TO BE USED TO COMPENSATE FOR DEGENERATION IN HUNGARY'S TERMS OF TRADE AND TO RESTORE BALANCE TO THE ECONOMY.

4. COMMENT: LAZAR'S STRESS ON NEED FOR ECONOMIC EFFICIENCY AND PROSPECT THAT SLOWER RATE OF INCREASE IN STANDARD OF LIVING MAY BE IN OFFING ECHO LINE WHICH LIMITED OFFICIAL USE

BEGAN LAST FALL AND WAS EMBELLISHED AT 11TH PARTY CONGRESS. HIS SPEECH IS A CLEAR ADMISSION THAT MEASURES TAKEN SO FAR HAVE FAILED TO RESULT IN SIGNIFICANT PROGRESS IN RESOLVING SUCH CENTRAL PROBLEMS AS EXISTENCE OF LARGE INVENTORIES AND THE SIZEABLE HARD CURRENCY DEFICIT. LAZAR SEEMS TO BE SAYING THAT IF SOME IMPROVEMENT IS NOT FORTHCOMING IN NEAR FUTURE (PARTICULARLY IN FOREIGN TRADE), ADDITIONAL CENTRAL MEASURES, PERHAPS INCLUDING

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IMPORT CONTROLS, MIGHT BE INTRODUCED. AT SAME TIME
LAZAR SEEKS TO GIVE IMPRESSION THAT HE IS SUPPORTER
OF ECONOMIC RATIONALITY, MAXIMUM POSSIBLE ENTERPRISE
INDEPENDENCE, AND AN ADVOCATE OF A QUICK PHASE-OUT OF
INEFFICIENT AND UNECONOMIC PRODUCTION. THIS ATTITUDE,
TOGETHER WITH FRANK, STRAIGHT-FORWARD TONE OF LAZAR'S
REMARKS IN HIS FIRST MAJOR PUBLIC SPEECH SINCE BECOMING
PRIME MINISTER, MAY OFFER SOME ASSURANCE TO REFORM-MINDED
MEMBERS OF THE ECONOMIC HIERARCHY AND OTHERS PERHAPS
UPSET AT ABRUPT DEPARTURE OF FORMER PRIME MINISTER FOCK.
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